## REMARKS

This Amendment and Request for Reconsideration ("the Amendment") is submitted in response to an outstanding Office Action dated May 29, 2008. Accordingly, Applicants submit herewith a Petition for a one-month extension of time (with the appropriate fee). In addition, Applicants submit herewith a Request for Continued Examination (also with the appropriate fee).

I. Status of the Claims

Please amend claims 1, 8, 20, and 22-24 as indicated above and add claim 25. Claims 1-20 and 22-25 are now pending in the application. Claims 1, 20, and 22-24 are independent claims.

II. Rejections under 35 U.S.C. § 101

The Examiner has rejected claim 12 under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Applicant respectfully traverses the rejection.

The claimed inventions produce useful, tangible and concrete results and fall within the useful arts. Claim 12 depends from independent claim 1. As a threshold matter, independent claim 1 is directed to: A method for managing collateralized obligations, the method performed at least partially on a computer and comprising a series of listed steps. By its plain language independent claim 1 falls within the useful arts, as a machine, a manufacture, a process or a composition of matter. In addition, claim 1 produces a useful tangible and concrete result. For example, all of the claims deal in one manner or another with financial investments. There can be no question that financial investments are one of the foundations of the U.S. capital markets. Investments provide financial fuel from the U.S. capital markets that is used by industry to provide goods and services. Without investments, the United States economy would

quickly falter and die. At least for this reason, the claims at issue are useful and tangible. The claims at issue also deal in one way or another with changes in investments, such as through a change in an obligation of a linked investment deal. Such a change is a concrete result of the claimed method. Accordingly, the claims are not simply a mathematical construct, but instead embody statutory subject matter.

It is respectfully noted that the Examiner rejected a dependent claim as directed to non-statutory subject matter without asserted a rejection against the independent claim from which the dependent claim depends. As dependent claims contain the limitations of the independent claim from which they depend, it follows that if independent claim 1 is directed to statutory subject matter, then dependent claim 12 (which depends from independent claim 1) is also directed to statutory subject matter. Accordingly, withdrawal of the rejection under 35 U.S.C. § 101 is respectfully requested.

III. Rejections under 35 U.S.C. § 112

The Examiner rejected claim 8 under 35 U.S.C. § 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which the Applicants regard as the invention. In particular, the Examiner contends that the term "rate of change" is not defined by the specification. Applicants respectfully assert that the Examiner's rejection is moot in light of the amendment to claim 8, whereby "rate of change" now reads as "number of changes". Support for "number of changes," as recited in claim 8 may at least be found at pages 5-6 of the specification: "Under the terms of those governing conditions, the actions of the asset manager are limited with regard to the substitutions or changes to the composition of the debt index. One of those conditions may limit the number of substitutions that the asset manager can make to the index during different periods of the agreement." Further

support may at least be found at pages 9-10 of the specification, whereby examples of "criteria for selection and substitution" are listed.

IV. Rejections under 35 U.S.C. § 103

The Examiner rejected claims 1-3, 7, 8 and 22-24 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Pat. Pub. No. 2002/0059127 to Brown *et al.* ("Brown") in view of U.S. Pat. Pub. No. 2004/0024695 to Melamed ("Melamed"). The Examiner rejected claims 4-6, 11-12, and 20 under 35 U.S.C. § 103(a) as being unpatentable over Brown in view of Melamed and Official Notice. The Examiner rejected claims 9-10 under 35 U.S.C. § 103(a) as being unpatentable over Brown in view of Melamed and U.S. Pat. Pub. No. 2006/0069635 to Ram *et al.* ("Ram"). The Examiner rejected claims 13 and 17 under 35 U.S.C. § 103(a) as being unpatentable over Brown in view of Melamed and U.S. Pat. Pub. No. 2002/0156709 A1 to Andrus *et al.* ("Andrus"). The Examiner rejected claims 14, 16, and 18-19 under 35 U.S.C. § 103(a) as being unpatentable over Brown in view of Melamed and U.S. Pat. Pub. No. 2002/0032586 A1 to Joao ("Joao"). The Examiner rejected claim 15 under 35 U.S.C. § 103(a) as being unpatentable over Brown in view of Melamed in view of Joao further in view of BaFin (Federal Financial Supervisory Authority, Circular R 1/2002) ("BaFin").

For the rejection of independent claims 1, 20, and 22-24, the Examiner states

> Brown does not disclose: changing at least one debt obligation from the plurality of debt obligations in the single debt index according to terms of the asset management agreement; and responsive to the change of the debt obligation in the single debt index, changing an obligation of the linked first investment deal according to terms of the asset management agreement. However, Melamed discloses: The rebalancing of indices and portfolios in order to maintain an ideal or desired risk level (Para's. 0003 and 0006).

Office Action at p.5, 9, 12 . Paragraphs 0003 and 0006 of Melamed disclose:

> [0003] Financial indices often attempt to represent individual markets, segments of markets, asset classes, industries, etc. Examples include the S&P 500, the

> Wilshire 5000, the AMEX Major Market Index, the Russell 2000 Index, the Nasdaq 100, EAFE Index, and many others. The S&P 500 represents the large capitalization asset class in the U.S.; the Nasdaq 100 represents the technology and telecommunications industries; and the EAFE Index represents the European, Asian, and Far East markets. The components of these indices remain fairly constant, and undergo only occasional changes. They may change when there is a need to represent a market, asset class, or industry in a more accurate manner. For example, the S&P 500 deletes, from time to time, securities which cease to be large cap stocks, and hence do not represent the large cap asset class in the U.S.
>
> * * *
>
> [0006] As a result, in order to maintain a constant risk level, an investor must diligently monitor his or her portfolio. Changes in the market conditions of a particular industry may require investors to continually rebalance their portfolios in a manner that replaces securities from that industry with securities from another industry, or in a manner that replaces securities with risk-free assets, such as cash, in order to maintain their ideal or desired risk level. With investors who invest in financial indices, the procedure includes changing the amount invested in the indices as the indices' risk changes.

Applicants respectfully assert that the above quoted language at least does not disclose or suggest the limitations of claims 1, 20, and 22-24. Paragraph 0003 of Melamed discloses an index where components may be deleted; paragraph 0006 of Melamed discloses ***investors*** diligently monitoring and continually rebalancing their portfolios, not the creator or host of the index. Accordingly, Melamed at least does not disclose: (1) "changing at least one ***debt obligation*** from the plurality of ***debt obligations*** in the ***single debt*** index according to terms of the ***asset management agreement***"; and (2) "***responsive to the change*** of the ***debt obligation*** in the ***single debt*** index, changing an ***obligation*** of the ***linked first investment deal*** according to terms of the ***asset management agreement***" as recited in independent claim 1, or as similarly recited in independent claims 20 and 22-23. In addition, Melamed does not disclose: (1) "establishing an ***asset management agreement*** between a ***sponsor*** and an ***asset manager***"; (2) "identifying a plurality of ***debt obligations*** according to terms of an ***asset management agreement***, which together constitute a ***single debt*** index"; (3) "managing the ***single debt*** index

according to the terms of the ***asset management agreement***"; and (4) "allowing ***linking*** of a plurality of ***investment deals*** to the ***single debt*** index" as recited in independent claim 24.

"The [E]xaminer asserts that collateralized obligations, asset management agreement, and debt obligations, in the context of this claim serve only as nonfunctional descriptive material and as such do not alter how the process steps are to be performed to achieve the utility of the invention." Office Action at p.6. However, those terms serve as functional terms that alter and guide how the steps embodied within, for instance, independent claim 1 are to be performed. For example, as amended, the steps of: (1) identifying a plurality of debt obligations, (2) allowing linking of a first investment deal to the single debt index, (3) allowing linking of a second investment deal to the single debt index, and (4) changing at least one debt obligation from the plurality of debt obligations in the single debt index each execute according to the terms of the asset management agreement.

Although the specification states that "[t]here are similarities between the debt index of the instant invention and other indexes, such as the S&P 500 index, or the NASDAQ 100 index," the similarities are clearly expressed thereafter. Specification at p.8-9. In particular, "there are criteria for including an entity in the index and there are also criteria for removing an entity from the index. Also, in each of these indexes, the index manager does not usually hold the entities that are listed in or make up the index." *Id.* at p.8-9. However, with respect to indexing, debt and equity fundamentally function differently. Equity indexes are easily compiled, as equities are typically publicly traded and widely available. Debt, on the other hand, is typically issued, purchased, and not resold in a secondary market, which makes compiling an index much more time consuming and difficult. Typical debt must be repaid or refinanced; requires regular interest payments; requires the issuer to generate cash flow to pay; and requires

collateral assets to be available. Debt providers are usually conservative and may not share any upside or profits. Accordingly, they usually tend to want to eliminate all possible loss or downside risks. In addition, interest payments are usually tax deductible. Furthermore, debt has little or no impact on control of the company and allows leverage of company profits. On the contrary, typical equity may be kept permanently; does not require payment; may receive dividends, but only out of retained earnings; and does not require collateral. Equity providers are usually aggressive and may accept downside risks because they fully share the upside as well. In addition, dividend payments are not tax deductible. Furthermore, equity usually requires shared control of the company and may impose restrictions. Shareholders (i.e., holders of equity) share the company profits.

As a result, one of ordinary skill in the relevant art would perform the above steps differently if the limitations: "collateralized obligations," "asset management agreement," and "debt obligations" were absent from the claims. To claim those terms do not govern those steps -- *i.e.*, that, as the Examiner argues, those terms are non-functional descriptive material -- is to not give meaning to those limitations when interpreting the breadth and scope of the claims. Accordingly, Applicants respectfully assert that the Examiner has not shown that these elements, as recited in the claims, are present in the cited references.

The Examiner argues that "it would have been obvious of one of ordinary skill in the art at the time of this invention to combine the methods of Brown and Melamed" as "[o]ne of ordinary skill in the art at the time of this invention would have been motivated to do so in order to maintain an ideal or desired risk level and/or increase returns and/or profits." Office Action at p.6, 10, 13-14. However, Applicants respectfully submit that this reason does not meet the threshold for establishing that one of ordinary skill in the art would have thought to combine

Brown and Melamed. To find any of the above reasons sufficient to satisfy the necessary threshold under 35 U.S.C. § 103 would have the practical effect of not having a "reason to combine" requirement. In particular, examiners could argue that one of ordinary skill in the art would have been motivated to increase profits in order to rationalize their combination of those references cited against any invention that comprises a combination of elements that are allegedly present in the references.

Applicants respectfully submit that at least Melamed does not disclose the limitations present in independent claims 1, 20, and 22-24. Therefore, Melamed in combination with the other cited references can not disclose all of the elements of claims 1-20 and 22-25. Accordingly, withdrawal of the rejections under § 103 is respectfully requested.

VI. Request for Reconsideration

Applicants respectfully submit that the claims of this application are in condition for allowance. Accordingly, reconsideration of the rejection and allowance is requested. If a conference would assist in placing this application in better condition for allowance, the undersigned would appreciate a telephone call at the number indicated.

VII. Authorization

Applicants submit herewith a Petition for a one-month extension of time (with the appropriate fee). In addition, Applicants submit herewith a Request for Continued Examination (also with the appropriate fee). Applicants respectfully submit that no additional fees are due in connection with this paper. But in the event the Commissioner determines that an additional extension of time or fee is due for this paper, the undersigned hereby petitions for any required extension of time and authorizes the Commissioner to charge any fee required to Milbank's deposit account

no. 13-3250, order no. 36287-03801. A DUPLICATE COPY OF THIS PAGE IS ENCLOSED HEREWITH.

Respectfully submitted,
Milbank, Tweed, Hadley & McCloy LLP

September 26, 2008

Blake Reese
Reg. No.: 57,688

Milbank Tweed Hadley & McCloy LLP
1 Chase Manhattan Plaza
New York, NY 10005
(212) 530-5000 / (212) 530-5219 (facsimile)

**NY2:#4801225**